



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 5
77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

EPA Region 5 Records Ctr.



275753

REPLY TO THE ATTENTION OF:

C-14J

VIA FACSIMILE (513) 232-7654

CONFIDENTIAL AND INADMISSIBLE
SETTLEMENT COMMUNICATION

March 27, 2001

John J. Whitton Trucking, Inc.
Kevin J. Hopper, Esq.
Southampton Square
7434 Jager Court
Cincinnati, OH 45230

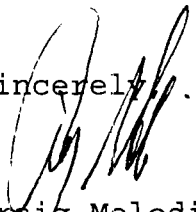
Re: Financial Profile for John J. Whitton Trucking, Inc.

Dear Kevin:

Please find enclosed the financial profile U.S. EPA ran for John J. Whitton Trucking, Inc. The profile is based upon information you turned over to U.S. EPA as part of our settlement discussions to resolve claims against your client related to the Skinner Landfill in West Chester, Ohio.

The financial profile presents a range of expected cash flows over the next five years. The settlement offer included in my previous correspondence to you is based upon this range of future cash flows. I hope this information is helpful and that we can quickly reach a settlement to resolve U.S. EPA's claims. Please call me at your earliest convenience to discuss these issues further.

Sincerely,


Craig Melodia
Assistant Regional Counsel

encl.

Financial Profile

In Dollars

John J. Whitton Trucking, Inc.
S Corporation, Tax Form 1120 S

Run Description:

	1999	1998	1997	1996	1995
Balance Sheet					
Assets					
Cash	\$ 6,089	\$ 49,293	\$ 14,269	\$ 42,518	\$ 28,311
Accounts Receivable	\$ 6,347	\$ 6,347	\$ 6,327	\$ 0	\$ 0
Inventories	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
U.S. Government Obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Tax-Exempt Securities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Current Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,779
All Other Assets*	\$ 646,113	\$ 535,833	\$ 338,781	\$ 207,226	\$ 274,789
Total Assets	\$ 658,549	\$ 591,473	\$ 359,377	\$ 249,744	\$ 309,879
Liabilities					
Accounts Payable	\$ 3,002	\$ 0	\$ 0	\$ 0	\$ 0
Mortgages, Bonds Payable in < 1 Year	\$ 279,654	\$ 278,655	\$ 85,500	\$ 51,223	\$ 0
Other Current Liabilities	\$ 0	\$ 0	\$ 0	\$ 1,428	\$ 29,793
Loans from Stockholders	\$ 44,984	\$ 33,894	\$ 0	\$ 0	\$ 0
Mortgages, Bonds Payable in > 1 Year	\$ 205,787	\$ 149,552	\$ 190,445	\$ 23,318	\$ 112,040
Other Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities	\$ 533,427	\$ 462,101	\$ 275,945	\$ 75,969	\$ 141,833
Stockholders' Equity	\$ 125,122	\$ 129,372	\$ 83,432	\$ 173,775	\$ 168,046
Total Liabilities and Stockholders' Equity	\$ 658,549	\$ 591,473	\$ 359,377	\$ 249,744	\$ 309,879
Income Statement					
Gross Sales	\$ 2,041,146	\$ 1,873,005	\$ 1,772,550	\$ 1,586,776	\$ 1,611,911
Cost of Goods Sold	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating Profit	\$ 2,041,146	\$ 1,873,005	\$ 1,772,550	\$ 1,586,776	\$ 1,611,911
Other Expenses and Income					
Interest Expense	\$ 29,806	\$ 25,466	\$ 20,563	\$ 7,497	\$ 10,712
Depreciation	\$ 73,321	\$ 107,000	\$ 88,395	\$ 67,563	\$ 71,480
Depletion and Amortization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Expenses (Income)**	\$ 1,813,425	\$ 1,558,059	\$ 1,634,962	\$ 1,349,624	\$ 1,316,509
Total Expenses (Income)	\$ 1,916,552	\$ 1,690,525	\$ 1,743,920	\$ 1,424,684	\$ 1,398,701
Taxable Income Before NOL	\$ 124,594	\$ 182,480	\$ 28,630	\$ 162,092	\$ 213,210
Summary of Estimated Cash Flow					
Taxable Income Before NOL	\$ 124,594	\$ 182,480	\$ 28,630	\$ 162,092	\$ 213,210
Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Credit for Regulated Investment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Credit for Federal Fuels	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Depreciation	\$ 73,321	\$ 107,000	\$ 88,395	\$ 67,563	\$ 71,480
Depletion and Amortization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Income Not Included on Return	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Available After-Tax Cash Flow	\$ 197,915	\$ 289,480	\$ 117,025	\$ 229,655	\$ 284,690
Available Pre-Tax Cash Flow	\$ 197,915	\$ 289,480	\$ 117,025	\$ 229,655	\$ 284,690
Adjusted for Inflation	\$ 210,376	\$ 317,245	\$ 132,225	\$ 267,528	\$ 341,920

* May include loans to stockholders, mortgage and real estate loans, other investments, buildings and other depreciable assets, depletable assets, land, intangible assets, and other long-term assets; see Schedule L of firm's federal income tax return.

** Includes additional income categories listed on page 1, Income Section, of firm's federal income tax return and additional expense categories listed on page 1, Deductions Section, of firm's federal income tax return.

Financial Profile

In Dollars

John J. Whitton Trucking, Inc.
S Corporation, Tax Form 1120 S

Run Description:

	1999	1998	1997	1996	1995
Historical Financial Ratios					
Debt to Equity	4.26	3.57	3.31	0.44	0.84
Current Ratio	0.04	0.20	0.24	0.81	1.18
Times Interest Earned	5.18	8.17	2.39	22.62	20.90
Beaver's Ratio	0.37	0.63	0.42	3.02	2.01
Altman Z'- Score	3.79	4.28	5.54	9.97	8.40

Debt to Equity	4.26	3.57	3.31	0.44	0.84
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The debt to equity ratio (D/E) is defined as the firm's total liabilities divided by its stockholders' equity. This ratio measures the degree to which debt constitutes the company's financing.

A D/E less than 1.5 but greater than zero generally indicates that a firm has additional debt capacity. This firm's D/E fell into this category in 1995, 1994.

A D/E greater than 1.5 generally indicates that a firm may have difficulty borrowing additional capital. This firm's D/E fell into this category in 1998, 1997, 1996.

Current Ratio	0.04	0.20	0.24	0.81	1.18
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The current ratio (CR) is defined as the firm's current assets divided by its current liabilities. The ratio assesses whether the firm will be able to cover its short-term debts using cash and other current assets that can be easily liquidated.

A CR less than 1.0 indicates that the firm has serious liquidity problems. This firm's CR was poor in 1998, 1997, 1996, 1995.

A CR between 1.0 and 2.0 indicates that the firm may suffer from liquidity problems. This firm's CR was unfavorable in 1994.

Times Interest Earned	5.18	8.17	2.39	22.62	20.90
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The times interest earned ratio (TIE) is defined as the firm's earnings before interest and taxes divided by its interest expense payments. This ratio indicates how easily the firm can pay the interest expense on its debt.

A TIE greater than 2.0 generally indicates that the firm is able to meet its interest payments. This firm fell into this category in 1998, 1997, 1996, 1995, 1994.

Beaver's Ratio	0.37	0.63	0.42	3.02	2.01
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Beaver's ratio (BR) is defined as the firm's after-tax cash flow divided by its total liabilities. The BR provides a useful measure for predicting a firm's long-term solvency and likelihood of staying in business. In particular, the BR indicates whether the firm's internally generated cash flow is sufficient to meet its current and long-term financial obligations.

A BR greater than 0.2 generally indicates that the firm is solvent and healthy. This firm fell into this category in 1998, 1997, 1996, 1995, 1994.

Altman's Z- Score	3.79	4.28	5.54	9.97	8.40
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Altman's Z-Score (AZS) is calculated as a weighted average of several financial ratios. AZS is a predictor of firm failure. It is most accurate within two years prior to bankruptcy.

An AZS greater than 2.90 indicates that it is unlikely that the firm will be forced into bankruptcy during the coming two years. This firm's AZS fell into this category in 1998, 1997, 1996, 1995, 1994.

This firm's most recent year's financial ratios indicate that:

The firm's financial condition is fairly strong. It does, however, have serious liquidity problems and may have difficulty obtaining additional debt financing.

Note that although these ratios provide a rough indication of the firm's financial condition, they can easily be misinterpreted. See ABEL User's Manual for a more detailed discussion of these issues.

Ability to Pay Analysis

In 2000 dollars

John J. Whitton Trucking, Inc.
S Corporation, Tax Form 1120 S

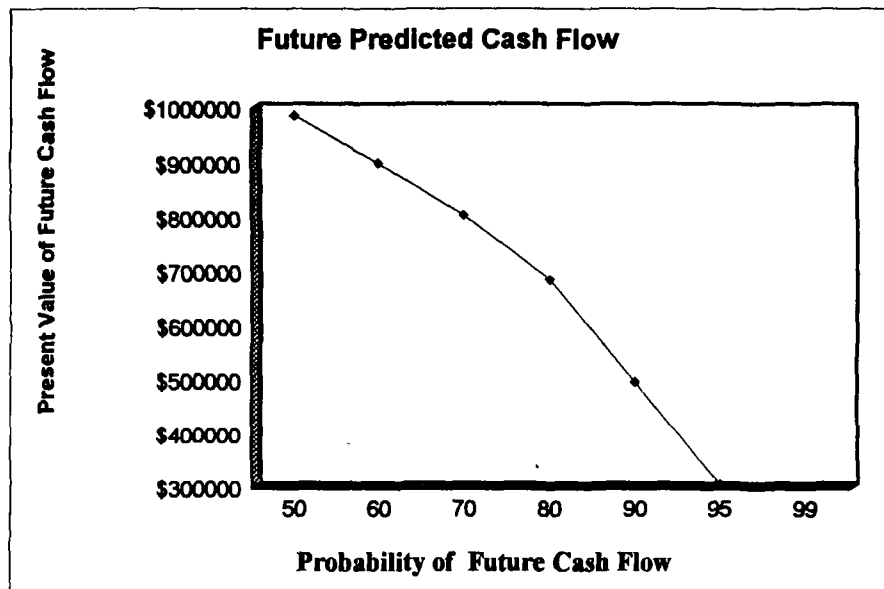
Run Description:

Contribution Amount: \$0

Reinvestment Rate:	0.0
Annual Inflation Rate (%):	3.1
Discount Rate (%):	12.0
Weighted Average Smoothing Constant:	0.3
Number of Years of Future Cash Flow:	5
Contribution Payment Schedule:	1

Summary of Predicted Cash Flow

Probability of Adequate Cash Flow	Total Pre-Tax Cash Flow Generated by Firm	Superfund Cleanup Cost	Cash Flow Net of Superfund Cleanup Cost
50 %	\$ 990,519	\$ 0	\$ 990,519
60 %	\$ 904,028	\$ 0	\$ 904,028
70 %	\$ 808,919	\$ 0	\$ 808,919
80 %	\$ 690,193	\$ 0	\$ 690,193
90 %	\$ 501,252	\$ 0	\$ 501,252
95 %	\$ 310,078	\$ 0	\$ 310,078
99 %	\$ 0	\$ 0	\$ 0



Conclusions

ABEL estimates a 70 percent probability that John J. Whitton Trucking, Inc. could afford to pay \$808,919 for Superfund cleanup costs.

This estimation of ability to pay is based on funds the firm is expected to generate during the next 5 years.

EPA employs the 70 percent probability level as a common cutoff for determining ability to pay. Note, however, that it is ultimately up to the litigation team to determine an appropriate cutoff.

ABEL generally provides a conservative estimate of ability to pay. Click 'Help' on the 'Reports Generation' screen or consult the ABEL User's Manual for a discussion of ABEL's results and related issues.